

INDIANA BOND BANK



Indiana Bond Bank

The Indiana Bond Bank is a quasi-governmental entity (a separate body, corporate and politic) established by the Indiana General Assembly in 1984 (I.C. 5-1.5).

The Bond Bank is governed by a Board of Directors, which consists of seven members. The Treasurer of State and the Public Finance Director serve as members of the Board as part of their official functions (I.C. 5-1.5-2-2). The remaining five members are appointed to three year terms by the Governor. The Treasurer of State is statutorily appointed to serve as the Chairman of the Board.

Bond Bank Mission

The primary mission of the Bond Bank is to assist local government in the process of issuing debt. The list of eligible entities or qualified entities (QEs) that utilize the Indiana Bond Bank is defined in IC 5-1.5-1-8. QEs include cities, towns, townships, public school corporations, counties, public libraries, county hospitals, and public universities.

As of August 1, 2014, the Bond Bank has issued nearly \$21 billion in bonds/notes and has approximately \$1.5 billion outstanding. The daily operations of the Bond Bank are self-supporting. No financial assistance is provided through the State of Indiana.

The Bond Bank operates as a financing conduit. The Bond Bank purchases the bonds of various communities and in turn issues its own obligations in the financial markets. This pooling process allows local communities to realize certain savings that are achieved through the sharing of otherwise fixed costs and economies of scale. These savings are realized both in terms of dollars and through the streamlining of various procedures and related documents.

Bond Bank Programs

In order to meet its public purpose the Bond Bank has developed several types of programs. Each program has been tailored to specific financing needs.

- Advance Funding Program
- HELP Program
- General Pool Program
- Not-For-Profit Water
- Fuel Budgeting Program

Advance Funding Program

Tax-anticipation warrants are issued to provide cash flow financing during the periods of time prior to the semi-annual distribution of property taxes from the county auditor each June and December. Through the Advance Funding Program, the Bond Bank purchases tax-anticipation warrants of schools, counties, cities, towns, libraries and other special taxing districts to meet their cash flow needs.

In 2014, the Bond Bank has assisted 55 participants through the issuance of approximately \$100 million notes. Since 1989, the Bond Bank has assisted over 250 participants issuing approximately \$13 billion in Advance Funding and Interim notes.

Participants have realized savings and efficiencies in the following ways:

- Market or below market interest rates
- Streamlined/standardized documentation
- Cash-flow projection assistance

Hoosier Equipment Lease Purchase (HELP) Program

Many local governments have investigated or utilized any one of a variety of lease-purchase programs offered by vendors or financial institutions to maximize the limited resources available in meeting their specific equipment needs.

Since 1991 over 95 communities have obtained over \$210 million in equipment through the HELP Program at rates that have been as low as 1.5%. Equipment that is eligible for inclusion in the HELP Program includes but is not limited to the following:

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|---------------------------|---------------------------------|
| • Telephone/E-911 Systems | • Fire Trucks & Rescue Vehicles |
| • Police Cars | • Radio Equipment |
| • Ambulances | • Backhoes/Graders |
| • Buses | • Paving Equipment |
| • Maintenance Equipment | • Tractors/Mowers |
| • Dump Trucks | • Computers |
| • Sewer Vacs | • Other Technology Equipment |
| • Garbage Trucks | • And much more! |

The HELP Program allows local communities to acquire equipment at cash prices and utilize tax-exempt interest rates. The lease terms vary from two to seven years and generally payments are made semi-annually. The use of the Bond Bank exempts QEs from bidding the financing (IC 5-1.5-8-3c).

Special Program Bonds:

The Bond Bank's Special Program Bonds allows local communities to "pool" their debt in order to effectively reduce the cost of issuance of debt. Projects include construction, improvement or expansion of municipal utility systems or other building projects. Entities may also issue bonds on a "stand-alone" basis. The Bond Bank has worked with several counties, cities, schools, universities and special taxing districts in providing the following type of financing:

- General Obligation
- Revenue
- Lease Backed Financings
- Tax Increment Financings (TIF)
- Economic Development Income Tax (EDIT) Financings

Projects ranging from \$150,000 to \$40 million have been funded through the Special Program over terms of 6 to 25 years. The Bond Bank has issued over \$1.5 billion in Special program Bonds. There is currently \$484 million outstanding.

Water Utility Revenue Bond Program

Since 1989, the Indiana Bond Bank has offered financing to Indiana's Not-For-Profit utilities through the Water Utility Revenue Bond Program. During that time, over \$56 million has been issued for seventeen (17) out of approximately sixty (60) corporations. The Bond Bank has strictly served as conduit issuer for these 501-c-12 organizations.

Fuel Budgeting Program

The fuel budgeting program provides a tool for local government to guard against rising fuel prices. Entities continuing to purchase fuel as normal but enter into an agreement with the Bond Bank with a collar. The collar will have a price floor and ceiling for fuel (diesel or gasoline). If fuel price breaches the ceiling then the Bond Bank will provide payment to protect the entity's budget. Likewise, if the fuel price breaches the floor, then the entity will pay the Bond Bank. If there the fuel price remains within the collar there is no payment. Settlement is monthly and based upon the NYMEX index.

However, there is an administrative fee for the program depending on participation. Participants share program costs and the experience of Bond Bank Professionals. Additionally, the Bond Bank posts the collateral for the program on behalf of the entities.

USDA-RD Interim Loan Program

Recently, the Indiana Bond Bank Board of Directors has approved the United States Department of Agriculture, Rural Development (USDA-RD) Interim Loan Program. The interim loan program will be for interim financing for entities that have received a letter of commitment from USDA-RD. The Bond Bank will provide additional information on this new program when it is available.

Additional Information

Additional information concerning any of the above referenced programs or questions about other programs is available upon request by contacting the Bond Bank at:

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For additional information, please visit our web site at www.in.gov/bond.

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